

# IPO Report

Choice

“Subscribe with Caution” to

## Radiant Cash Management Services Ltd.

Largest and efficient player in the RCM segment, but issue richly valued



**Salient features of the IPO:**

- **Radiant Cash Management Services Ltd.** (Radiant), a leading player in the retail cash management market, is coming up with an IPO to raise around Rs. 390cr, which opens on 23<sup>rd</sup> Dec. and closes on 27<sup>th</sup> Dec. 2022. The price band is Rs. 94 - 99 per share.
- The IPO is a combination of fresh and OFS issue. The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, Rs. 25.5cr will be utilized for funding the planned capital expenditure and Rs. 20cr will be used for working capital requirement.
- One of the promoter group members is participating in the OFS issue and offloading 1.013cr shares. Ascent Capital Advisors India Pvt. Ltd. (Ascent), an investor selling shareholder is partially offloading 2.3cr shares. Post-IPO, the promoter group stake will be at 53.21%, compared to pre-IPO stake of 66.39%. Ascent's residual stake will be 10.28%.

**Key competitive strengths:**

- Leading integrated cash logistics player in a consolidating market and present across the value chain of retail cash management
- Pan India presence with strong network in Tier 2 and Tier 3+ locations and fast growing end user segments
- Diversified client base with long standing relationship and ability to cross-sell value added services
- Robust operational risk management
- Significantly built up technology to optimize operational profitability
- Steady financial growth
- Experienced management team and backed by a reputed institutional investor

**Risk and concerns:**

- Unfavorable government policies & regulations
- Restrictions on use of cash as payment option
- Greater adoption of cashless payment methods
- Unfavorable product-mix
- Revenue concentration risk
- Difficulty in maintaining the profitability
- Competition

**Below are the key highlights of the company:**

- The Indian cash management market mainly comprises of ATM replenishment services, retail cash management services and cash-in-transit services. Over FY10-21, this market grew by 9.7% CAGR to Rs. 27.7bn in FY21 and is likely to grow by 19.1% CAGR over FY21-27 to Rs. 79bn. With 52% revenue share, ATM cash management is the biggest segment in cash management services market. This is followed by retail cash management (RCM) and dedicated cash-in-transit vans, each with 24% revenue share in FY21. The RCM market is estimated at Rs. 6.8bn in FY21 is projected to grow by 20.1% CAGR over FY21-27 to 20.4bn in FY27. The growth in the organized retail sector as well as the corresponding outsourcing potential is expected to be major factors for the development of the RCM market in India.
- Radiant is an integrated cash logistics player with leading presence in RCM segment. With market share of around 40%, it is one of the largest players in the RCM segment in terms of network locations or touch points served by the end of FY22. As of 31<sup>st</sup> Jul. 2022, Radiant provided services across 13,044 pin codes in India with about 55,513 touch points serving more than 5,388 locations. Moreover, around 70% its touch points are in tier-3+ towns and cities, followed by 17% and 12% in tier-2 and tier-1 cities, respectively. Over FY19-22, total annual currency movement across its RCM business increased by 4.8% CAGR to Rs. 1.3lakh cr in FY22.

**Issue details**

Price band	Rs. 94 - 99 per share
Face value	Rs. 1
Shares for fresh issue	0.606 - 0.638cr shares
Shares for OFS	3.313cr shares
Fresh issue size	Rs. 60cr
OFS issue size	Rs. 311.4 - 327.9cr
Total issue size	3.919 - 3.951cr shares (Rs. 371.4 - 387.9cr)
Bidding date	23 <sup>rd</sup> Dec. - 27 <sup>th</sup> Dec. 2022
MCAP at higher price band	Rs. 1,062cr
Enterprise value at higher price band	Rs. 964cr
Book running lead manager	IIFL Securities Ltd., Motilal Oswal Investment Advisors Ltd. and YES Securities (India) Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Diversified Commercial Services
Promoters	Col. David Devasahayam and Dr. Renuka David

**Issue break-up**

Category	Percent of issue (%)	Number of shares
QIB portion	50%	1.959 - 1.975cr shares
Non institutional portion (Big)	10%	0.392 - 0.395cr shares
Non institutional portion (Small)	5%	0.196 - 0.198cr shares
Retail portion	10%	1.371 - 1.383cr shares

**Indicative IPO process time line**

Finalization of basis of allotment	30 <sup>th</sup> Dec. 2022
Unblocking of ASBA account	2 <sup>nd</sup> Jan. 2023
Credit to demat accounts	3 <sup>rd</sup> Jan. 2023
Commencement of trading	4 <sup>th</sup> Jan. 2023

**Pre and post - issue shareholding pattern**

	Pre-issue	Post-issue
Promoter & promoter group	66.39%	53.21%
Public	33.61%	46.79%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**Retail application money at higher cut-off price per lot**

Number of shares per lot	150
Application money	Rs. 14,850 per lot

## Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM gross margin	TTM EBITDA margin	TTM PAT margin
					1 M	3 M	6 M	1 Y						
<b>Radiant Cash Management Services Ltd.</b>	<b>1</b>	<b>99</b>	<b>1,062</b>	<b>964</b>					<b>310.5</b>	<b>68.8</b>	<b>46.1</b>	<b>100.0%</b>	<b>22.1%</b>	<b>14.8%</b>
AGS Transact Technologies Ltd.	10	70	844	1,362	-7.9%	-16.6%	-7.5%		1,783.3	440.7	(34.4)	88.5%	24.7%	-1.9%
CMS Info Systems Ltd.	10	304	4,687	4,421	-10.1%	11.5%	38.1%		1,673.2	439.2	246.0	92.3%	26.2%	14.7%
SIS Ltd.	5	390	5,741	6,098	-0.8%	-7.7%	-15.2%	-10.8%	10,357.9	497.9	349.0	99.2%	4.8%	3.4%
<b>Average</b>												<b>93.3%</b>	<b>18.6%</b>	<b>5.4%</b>

Company name	4Y revenue growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y average PAT margin	4Y capital employed growth (CAGR)	4Y CFO growth (CAGR)	4Y average working capital cycle (Days)	4Y average fixed asset turnover (x)	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
<b>Radiant Cash Management Services Ltd.</b>	<b>9.0%</b>	<b>14.5%</b>	<b>15.2%</b>	<b>20.1%</b>	<b>13.5%</b>	<b>-6.0%</b>	<b>30.6%</b>	<b>88</b>	<b>27.9</b>	<b>1.4</b>	<b>24.7%</b>	<b>31.9%</b>
AGS Transact Technologies Ltd.	9.9%	39.9%	56.6%	18.3%	-0.7%	20.7%	16.4%	(268)	2.1	0.8	-2.8%	13.8%
CMS Info Systems Ltd.	11.5%	23.5%	32.6%	20.2%	11.3%	20.9%	36.1%	(310)	2.6	1.0	15.9%	14.9%
SIS Ltd.	12.3%	10.8%	14.7%	5.4%	3.2%	-2.1%	4.5%	(95)	5.4	1.9	17.3%	14.1%
<b>Average</b>	<b>11.2%</b>	<b>24.7%</b>	<b>34.6%</b>	<b>14.6%</b>	<b>4.6%</b>	<b>13.2%</b>	<b>19.0%</b>	<b>(224)</b>	<b>3.4</b>	<b>1.2</b>	<b>10.1%</b>	<b>14.3%</b>

Company name	TTM EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	TTM fixed asset turnover ratio (x)	TTM total asset turnover ratio (x)	TTM RoE	TTM RoCE	TTM P / E (x)	P / B (x)	EV / TTM sales (x)	MCAP / TTM EBITDA (x)	MCAP / TTM sales (x)	TTM earning yield
<b>Radiant Cash Management Services Ltd.</b>	<b>4.3</b>	<b>18.6</b>	<b>2.0</b>	<b>0.2</b>	<b>22.0</b>	<b>1.2</b>	<b>23.1%</b>	<b>103.2%</b>	<b>23.1</b>	<b>5.3</b>	<b>3.1</b>	<b>14.0</b>	<b>3.4</b>	<b>4.3%</b>
AGS Transact Technologies Ltd.	(2.8)	39.7	1.0	1.2	1.9	0.8	-7.1%	17.2%	(24.5)	1.8	0.8	3.1	0.5	-4.1%
CMS Info Systems Ltd.	16.0	81.5	1.5	0.0	2.1	0.9	19.6%	29.9%	19.1	3.7	2.6	10.1	2.8	5.2%
SIS Ltd.	23.7	140.7	0.0	0.5	6.4	2.1	16.8%	19.7%	16.5	2.8	0.6	12.2	0.6	6.1%
<b>Average</b>			<b>0.8</b>	<b>0.6</b>	<b>3.5</b>	<b>1.3</b>	<b>9.8%</b>	<b>22.3%</b>	<b>3.7</b>	<b>2.8</b>	<b>1.3</b>	<b>8.5</b>	<b>1.3</b>	<b>2.4%</b>

Note: Financial data is for TTM with IPO related adjustments; Source: Choice Broking Research

- The company's offerings cover the spectrum of retail cash management services (with the exception of ATM related services). In the past, Radiant had presence in the ATM cash management segment, but the operations were discontinued since Jan. 2019. Currently it operates across five business verticals, namely cash pick-up & delivery, network currency management, cash processing, cash vans/cash-in-transit and other value added services. Over FY19-22, cash pick-up & delivery and network currency management verticals contributed around 64% and 23%, respectively, to the total operating revenue of the company.
- Radiant caters to broad set of outsourcing requirements pertaining to cash management services for banks, financial institutions, organized retail, e-commerce, railways and retail petroleum distribution outlets in India. In FY22, the company generated 34.7% of the revenue from the Banking, Financial Services & Insurance space, followed by 15.8% from e-commerce companies, 11.1% from organized retail chains and 9.1% from the e-commerce-logistics firms.
- Radiant has not lost a single client since its inception. Its marquee clients includes names like Axis Bank, Citibank, Deutsche Bank, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Standard Chartered Bank, State Bank of India, The Hongkong and Shanghai Banking Corporation, Yes Bank, Bajaj Finance, Equitas Small Finance Bank, Ecom Express, Delhivery and Hiveloop Logistics.
- As of 31<sup>st</sup> Jul. 2022, Radiant had a fleet of 739 specially fabricated armoured vans through a combination of leased vehicles, short term contractual basis and owned vehicles. It owned 739 fabricated armoured vans.
- Lower availabilities of financial services, prevalence of cash as mode of payment, improving penetrations of the e-commerce and expansion of economic activities in tier-2 and tier3+ towns and cities in India, presents a strong growth opportunities for the RCM market in these regions. The company has strong presence in these regions, which seems to be the key differentiating factor. It has 16.6% and 71.2% of its touch points in the tier-2 and tier-3+ cities, respectively, and generated 19.6% and 67.6% of the business from these regions in FY22. We believe, Radiant's strong network in the tier-2 and tier3+ cities will aid it in attracting clients and expanding the business operations.
- In RCM market, there is a strong positive correlation between market share, network size and profitability. Relatively the RCM business has better operating leverage as compared to other segments (like ATM cash management etc.) in the cash management market. This is primarily on account of the ability to utilize the same infrastructure for multiple end users and for multiple clients with no direct linkage between the costs incurred and the revenues realized in each route. Radiant with its dominant market position, wide geographic coverage and presence across the wide spectrum of RCM market is well placed to get benefited from the economies of scale operations, thereby improving its profitability margins in the future.

### Key highlights of the company (Contd...):

- Mainly on the back of improved geographic presence, addition of new clients and higher cash management, Radiant reported a steady growth in the business over FY19-22. Operating leverage mainly aided the expansion in the profitability margins during the period. Cash managed by the company increased by 4.8% CAGR to Rs. 1.3lakh cr, while blended gross commission earned by it expanded by 2bps to 0.22% in FY22. Moreover with 7.3% CAGR rise in the pin-code coverage across the country, the company reported 7.7% CAGR rise in the client base. Consequently, the company reported a 9% CAGR growth in the consolidated top-line over FY19-22 to Rs. 286cr in FY22. Total operating expenditure increased by 7.7% CAGR (a rate lower than top-line growth), resulting in a 282bps expansion in the EBITDA margin, which stood at 20.5% in FY22. Consolidated EBITDA increased by 14.5% CAGR to Rs. 58.5cr in FY22. With increase in the asset base, depreciation charge increased by 14.6% CAGR, while higher financial liabilities led to a 18.2% CAGR rise in the finance costs. However, lower effective tax rate resulted in a 15.2% CAGR higher PAT during the period i.e. to Rs. 38.2cr in FY22.
- Radiant has reported positive operating cash flow during the period, which increased by 30.6% CAGR. Average operating cash flow stood at Rs. 28.4cr over FY19-22. Financial liabilities increased by 25.2% CAGR with debt-to-equity ratio increasing from 0.2x in FY19 to 0.3x in FY22. Pre-issue average RoIC and RoE stood at 34.2% and 26.8%, respectively.
- During Q1 FY23, consolidated revenue increased by 41.2% Y-o-Y to Rs. 84cr. EBITDA and PAT margin expanded by 662bps and 573bps Y-o-Y, respectively, to 25.6% and 18.2%. On TTM basis, top-line stood at Rs. 310.5cr with an EBITDA and PAT margin of 22.1% and 14.8%, respectively, compared to a FY22 top-line of Rs. 286cr and EBITDA and PAT margin of 20.5% and 13.4%.
- Based on our conservative assumptions, we are forecasting an 8.8% CAGR growth in the top-line over FY22-24E to Rs. 338.7cr. EBITDA and PAT margins are likely to expand by 116bps and 185bps, respectively, to 21.6% and 15.2% in FY24E. Moreover, post-issue RoIC and RoE is expected to expand by 124bps and 152bps, respectively, to 21.9% and 20.6% in FY24E.

**Peer comparison and valuation:** At higher price band, Radiant is demanding an EV/S multiple of 3.1x (to its TTM sales), which is at significant premium to the peer average of 1.3x. Thus the issue is highly priced.

However, considering the company's dominant market positioning in the domestic RCM market, its wide coverage across the tier-2 & tier-3+ cities and potential future growth from these regions, and operating leverage in the business, we assign a "**Subscribe with Caution**" rating for the issue.

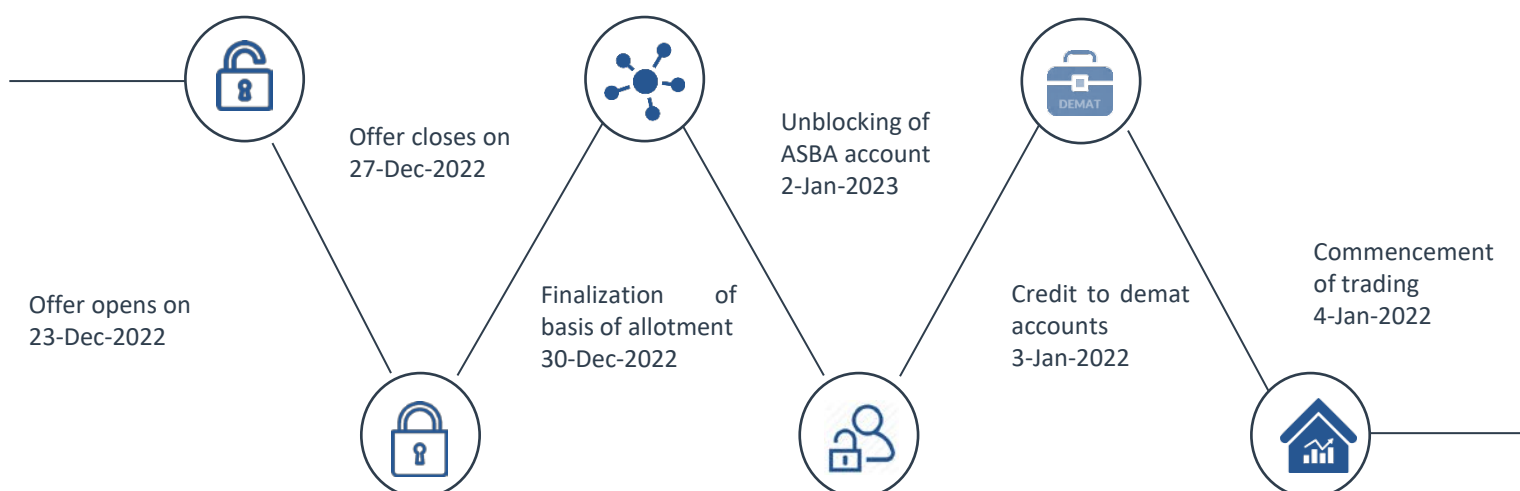
## About the issue:

- Radiant is coming up with an IPO with 3.919 - 3.951cr shares (fresh issue: 0.606 - 0.638cr shares; OFS shares: 3.313cr shares) in offering. This offer represents around 36.51% - 36.71% of the post issue paid-up equity shares of the company. Total IPO size is Rs. 371.4 - 387.9cr.
- The issue will open on 23<sup>rd</sup> Dec. 2022 and close on 27<sup>th</sup> Dec. 2022.
- The issue is through book building process with a price band of Rs. 94 - 99 per share.
- Lot size is 150 equity shares and in multiple of 150 shares thereafter.
- The IPO is a combination of fresh and OFS issue. The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, Rs. 25.5cr will be utilized for funding the planned capital expenditure and Rs. 20cr will be used for working capital requirement.
- One of the promoter group members is participating in the OFS issue and offloading 1.013cr shares. From investors, Ascent Capital Advisors India Pvt. Ltd. (Ascent) is partially offloading 2.300cr shares.
- 50% of the net issue are reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter currently holds 66.39% stake in the company and post-IPO this will come down to 53.21%. Public holding will increase from current 33.61% to 46.79%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	66.39%	53.21%
Public	33.61%	46.79%

Source: Choice Equity Broking

## Indicative IPO process time line:



## Pre-issue financial performance:

**Performance over FY19-22:** Mainly on the back of improved geographic presence, addition of new clients and higher cash management, Radiant reported a steady growth in the business over FY19-22. Operating leverage mainly aided the expansion in the profitability margins during the period.

Cash managed by the company increased by 4.8% CAGR to Rs. 1.3lakh cr, while blended gross commission earned by it expanded by 2bps to 0.22% in FY22. Moreover with 7.3% CAGR rise in the pin-code coverage across the country, the company reported 7.7% CAGR rise in the client base. Consequently, the company reported a 9% CAGR growth in the consolidated top-line over FY19-22 to Rs. 286cr in FY22.

Total operating expenditure increased by 7.7% CAGR (a rate lower than top-line growth), resulting in a 282bps expansion in the EBITDA margin, which stood at 20.5% in FY22. Consolidated EBITDA increased by 14.5% CAGR to Rs. 58.5cr in FY22.

With increase in the asset base, depreciation charge increased by 14.6% CAGR, while higher financial liabilities led to a 18.2% CAGR rise in the finance costs. However, lower effective tax rate resulted in a 15.2% CAGR higher PAT during the period i.e. to Rs. 38.2cr in FY22.

Radiant has reported positive operating cash flow during the period, which increased by 30.6% CAGR. Average operating cash flow stood at Rs. 28.4cr over FY19-22. Financial liabilities increased by 25.2% CAGR with debt-to-equity ratio increasing from 0.2x in FY19 to 0.3x in FY22. Pre-issue average RoIC and RoE stood at 34.2% and 26.8%, respectively.

**Performance during Q1 FY23:** Consolidated revenue increased by 41.2% Y-o-Y to Rs. 84cr. EBITDA and PAT margin expanded by 662bps and 573bps Y-o-Y, respectively, to 25.6% and 18.2%.

On TTM basis, top-line stood at Rs. 310.5cr with an EBITDA and PAT margin of 22.1% and 14.8%, respectively, compared to a FY22 top-line of Rs. 286cr and EBITDA and PAT margin of 20.5% and 13.4%.

Pre-issue consolidated financial snapshot (Rs. cr)	FY19	FY20	FY21	FY22	Q1 FY22	Q1 FY22	TTM	CAGR over FY20-22	Y-o-Y (FY22 annual)
Cash pick-up and delivery	138.4	164.9	131.0	191.5	39.4	58.8	210.9	11.4%	46.2%
Network currency management	49.4	57.5	49.6	64.4	12.6	14.9	66.7	9.2%	29.9%
Cash processing	8.5	8.4	7.9	13.4	2.7	4.1	14.8	16.3%	69.0%
Cash vans / Cash in transit	9.1	13.6	11.0	12.4	3.0	4.7	14.1	11.2%	13.3%
ATM	9.2						0.0		
Other value added services	6.3	3.8	4.2	4.3	1.7	1.6	4.1	-12.0%	3.4%
Others (Covid-19 lockdown negotiated billing)			18.0				0.0		
Revenue from operations	220.9	248.3	221.7	286.0	59.5	84.0	310.5	9.0%	29.0%
EBITDA	39.0	52.3	47.3	58.5	11.3	21.5	68.8	14.5%	23.8%
Reported PAT	25.0	36.5	32.4	38.2	7.4	15.3	46.1	15.2%	17.8%
Restated reported EPS	2.3	3.4	3.0	3.6	0.7	1.4	4.3	15.2%	17.8%
Cash flow from operating activities	14.0	40.9	27.6	31.1	19.2	3.0	14.9	30.6%	12.5%
NOPLAT	25.0	36.2	32.1	40.2	7.5	15.3	47.9	17.1%	25.4%
FCF		13.0	(2.4)	29.7		(25.6)			
RoIC (%)	39.4%	41.7%	25.9%	29.8%	7.2%	10.3%	32.3%	(956) bps	388 bps
Revenue growth rate		12.4%	-10.7%	29.0%		41.2%			
EBITDA growth rate		34.1%	-9.6%	23.8%		90.5%			
EBITDA margin	17.6%	21.1%	21.3%	20.5%	18.9%	25.6%	22.1%	282 bps	(86) bps
EBIT growth rate		36.7%	-10.7%	23.0%		97.6%			
EBIT margin	16.5%	20.1%	20.1%	19.2%	17.4%	24.4%	20.9%	264 bps	(94) bps
Restated reported PAT growth rate		45.9%	-11.1%	17.8%		105.9%			
Restated reported PAT margin	11.3%	14.7%	14.6%	13.4%	12.5%	18.2%	14.8%	203 bps	(127) Bps
Debtor days	87.5	78.4	101.9	94.8	93.2	96.0	105.4	2.7%	-6.9%
Payable days	(0.8)	(1.4)	(3.7)	(2.9)	(2.9)	(2.3)	(2.5)	55.4%	-21.7%
Cash conversion cycle	86.8	77.0	98.1	91.9	90.3	93.7	102.9	1.9%	-6.4%
Fixed asset turnover ratio	41.1	30.3	20.1	20.3	5.1	5.7	21.0	-21.0%	1.2%
Total asset turnover ratio	1.6	1.6	1.4	1.5	0.4	0.4	1.5	-1.3%	9.8%
Current ratio	2.6	3.2	4.6	3.5	3.0	3.9	3.9	9.9%	-23.5%
Total debt	20.7	31.7	24.2	40.7	29.1	39.0	39.0	25.2%	68.5%
Net debt	(9.2)	(19.0)	(43.2)	(38.6)	(42.7)	(39.0)	(39.0)	61.0%	-10.8%
Debt to equity	0.2	0.3	0.2	0.3	0.3	0.3	0.3	14.1%	53.3%
Net debt to EBITDA	(0.2)	(0.4)	(0.9)	(0.7)	(3.8)	(1.8)	(0.6)	40.6%	-28.0%
RoE (%)	23.7%	30.5%	25.5%	27.3%	6.8%	9.9%	29.7%	367 bps	182 bps
RoA (%)	17.7%	23.2%	20.0%	20.0%	4.7%	7.5%	22.6%	236 bps	5 bps
RoCE (%)	48.1%	70.4%	70.5%	87.1%	25.4%	25.9%	82.0%	3,898 bps	1,665 bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking





### Competitive strengths:

- Leading integrated cash logistics player in a consolidating market and present across the value chain of retail cash management
- Pan India presence with strong network in Tier 2 and Tier 3+ locations and fast growing end user segments
- Diversified client base with long standing relationship and ability to cross-sell value added services
- Robust operational risk management
- Significantly built up technology to optimize operational profitability
- Steady financial growth
- Experienced management team and backed by a reputed institutional investor

### Business strategy:

- Capitalize on strong growth of key end-user sectors
- Improve the share of value added services in the revenue-mix
- Target direct end-users to improve profitability through increasing route density
- Increase market share from unorganized players in cash van operations



### Risk and concerns:

- Unfavorable government policies & regulations
- Restrictions on use of cash as payment option
- Greater adoption of cashless payment methods
- Unfavorable product-mix
- Revenue concentration risk
- Difficulty in maintaining the profitability
- Competition

## Financial statements:

Consolidated profit and loss statement (Rs. cr)									
	FY19	FY20	FY21	FY22	Q1 FY22	Q1 FY22	TTM	CAGR over FY19 - 22	Annual growth over FY21
<b>Revenue from operations</b>	<b>220.9</b>	<b>248.3</b>	<b>221.7</b>	<b>286.0</b>	<b>59.5</b>	<b>84.0</b>	<b>310.5</b>	<b>9.0%</b>	<b>29.0%</b>
Employee benefits expenses	(45.2)	(44.5)	(39.0)	(49.7)	(11.3)	(13.9)	(52.3)	3.2%	27.6%
Other expenses	(136.7)	(151.5)	(135.4)	(177.8)	(37.0)	(48.6)	(189.4)	9.1%	31.3%
<b>EBITDA</b>	<b>39.0</b>	<b>52.3</b>	<b>47.3</b>	<b>58.5</b>	<b>11.3</b>	<b>21.5</b>	<b>68.8</b>	<b>14.5%</b>	<b>23.8%</b>
Depreciation and amortization expenses	(2.5)	(2.4)	(2.7)	(3.8)	(0.9)	(1.0)	(3.9)	14.6%	37.2%
<b>EBIT</b>	<b>36.5</b>	<b>49.9</b>	<b>44.5</b>	<b>54.8</b>	<b>10.4</b>	<b>20.5</b>	<b>64.9</b>	<b>14.5%</b>	<b>23.0%</b>
Finance costs	(2.2)	(3.1)	(2.0)	(3.7)	(0.5)	(0.2)	(3.5)	18.2%	85.5%
Other income	2.2	3.5	2.5	0.9	0.3	0.3	0.9	-24.8%	-62.2%
<b>PBT</b>	<b>36.5</b>	<b>50.3</b>	<b>45.0</b>	<b>52.1</b>	<b>10.2</b>	<b>20.6</b>	<b>62.4</b>	<b>12.6%</b>	<b>15.6%</b>
Tax expenses	(11.5)	(13.8)	(12.6)	(13.8)	(2.8)	(5.2)	(16.3)	6.5%	9.8%
<b>Reported PAT</b>	<b>25.0</b>	<b>36.5</b>	<b>32.4</b>	<b>38.2</b>	<b>7.4</b>	<b>15.3</b>	<b>46.1</b>	<b>15.2%</b>	<b>17.8%</b>

Consolidated balance sheet statement (Rs. cr)									
	FY19	FY20	FY21	FY22	Q1 FY22	Q1 FY22	TTM	CAGR over FY19 - 22	Annual growth over FY21
Equity share capital	1.1	1.1	1.0	10.1	1.0	10.1	10.1	108.9%	887.8%
Other equity	104.6	118.5	126.1	129.6	108.1	145.1	145.1	7.4%	2.8%
Non current borrowings	0.0	1.9	1.8	1.6	1.8	1.5	1.5		-8.2%
Non current lease liabilities	0.1	0.0	1.8	0.8	1.5	0.5	0.5	139.3%	-54.8%
Trade payables	0.5	1.4	3.1	1.5	1.9	2.2	2.2	46.5%	-52.2%
Current borrowings	17.7	19.2	9.3	25.1	21.3	24.0	24.0	12.4%	170.4%
Current lease liabilities	0.1	0.1	1.2	1.2	1.2	1.2	1.2	150.4%	2.4%
Other current financial liabilities	2.9	10.5	10.2	12.0	3.3	11.7	11.7	61.0%	17.6%
Current provisions	0.0	0.0	0.1	1.8	0.8	2.0	2.0	401.6%	2108.8%
Current net tax liabilities	4.0	0.4	2.0	0.3	2.8	2.0	2.0	-57.4%	-84.7%
Other current liabilities	10.5	4.5	5.7	6.5	15.8	3.5	3.5	-14.5%	15.2%
<b>Total liabilities</b>	<b>141.4</b>	<b>157.6</b>	<b>162.1</b>	<b>190.6</b>	<b>159.6</b>	<b>203.9</b>	<b>203.9</b>	<b>10.5%</b>	<b>17.5%</b>
Property, plant and equipment	4.7	6.7	9.4	13.2	10.3	12.7	12.7	41.4%	39.3%
Intangible assets	0.7	1.5	1.6	0.9	1.4	0.8	0.8	9.4%	-41.9%
Capital work-in-progress						1.2	1.2		
Non current investments	33.2	28.2					0.0		
Other non current financial assets	4.3	0.7	3.2	3.9	3.4	5.9	5.9	-3.1%	20.1%
Net deferred tax assets	2.4	3.1	1.4	1.9	1.6	1.9	1.9	-7.7%	31.2%
Non current net tax assets	2.4	2.6	1.4	1.4	1.4	0.5	0.5	-15.3%	0.0%
Other non current assets		0.0	0.8	0.0	0.9	0.5	0.5		-96.0%
Trade receivables	53.0	53.7	70.1	78.5	61.6	89.7	89.7	14.0%	12.1%
Cash and cash equivalents	30.0	50.6	67.4	79.3	71.8	78.1	78.1	38.3%	17.6%
Other current financial assets	6.3	5.8	1.1	7.0	1.2	7.3	7.3	3.7%	546.5%
Other current assets	4.6	4.6	5.7	4.4	5.9	5.3	5.3	-1.3%	-21.5%
<b>Total assets</b>	<b>141.4</b>	<b>157.6</b>	<b>162.1</b>	<b>190.6</b>	<b>159.6</b>	<b>203.9</b>	<b>203.9</b>	<b>10.5%</b>	<b>17.5%</b>

Note: Pre-IPO financials; Source: Choice Equity Broking



## Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)									
	FY19	FY20	FY21	FY22	Q1 FY22	Q1 FY22	TTM	CAGR over FY19 - 22	Annual growth over FY21
Cash flow before working capital changes	420.9	530.1	479.5	582.4	112.9	220.9	690.3	11.4%	21.5%
Working capital changes	(20.2)	6.2	(12.1)	(11.3)	9.9	(15.6)	(36.8)	-17.6%	-6.5%
<b>Cash flow from operating activities</b>	<b>14.0</b>	<b>40.9</b>	<b>27.6</b>	<b>31.1</b>	<b>19.2</b>	<b>3.0</b>	<b>14.9</b>	<b>30.6%</b>	<b>12.5%</b>
Purchase of fixed assets and CWIP	(1.0)	(5.2)	(3.1)	(6.1)	(1.5)	(1.7)	(6.3)	82.6%	99.8%
<b>Cash flow from investing activities</b>	<b>(24.3)</b>	<b>5.8</b>	<b>25.7</b>	<b>(2.3)</b>	<b>0.5</b>	<b>(2.9)</b>	<b>(5.7)</b>	<b>-54.2%</b>	
<b>Cash flow from financing activities</b>	<b>19.9</b>	<b>(22.7)</b>	<b>(37.4)</b>	<b>(12.3)</b>	<b>(13.4)</b>	<b>(1.7)</b>	<b>(0.6)</b>		<b>-67.1%</b>
<b>Net cash flow</b>	<b>9.6</b>	<b>23.9</b>	<b>15.9</b>	<b>16.4</b>	<b>6.4</b>	<b>(1.6)</b>	<b>8.5</b>	<b>19.8%</b>	<b>3.7%</b>
Opening balance of cash	4.4	14.0	37.9	53.8	53.8	70.2	60.1	130.1%	41.8%
<b>Closing balance of cash</b>	<b>14.0</b>	<b>37.9</b>	<b>53.8</b>	<b>70.2</b>	<b>60.1</b>	<b>68.6</b>	<b>68.6</b>	<b>71.2%</b>	<b>30.6%</b>

Consolidated financial ratios							
Particulars	FY19	FY20	FY21	FY22	Q1 FY22	Q1 FY22	TTM
<b>Profitability ratios</b>							
Revenue growth rate		12.4%	-10.7%	29.0%			41.2%
EBITDA growth rate		34.1%	-9.6%	23.8%			90.5%
EBITDA margin	17.6%	21.1%	21.3%	20.5%	18.9%		25.6%
EBIT growth rate		36.7%	-10.7%	23.0%			97.6%
EBIT margin	16.5%	20.1%	20.1%	19.2%	17.4%		24.4%
Restated reported PAT growth rate		45.9%	-11.1%	17.8%			105.9%
Restated reported PAT margin	11.3%	14.7%	14.6%	13.4%	12.5%		18.2%
<b>Turnover ratios</b>							
Trade receivable turnover ratio	4.2	4.7	3.6	3.8	1.0	0.9	3.5
Accounts payable turnover ratio	468.1	260.1	97.7	124.8	31.3	38.9	143.6
Fixed asset turnover ratio	41.1	30.3	20.1	20.3	5.1	5.7	21.0
Total asset turnover ratio	1.6	1.6	1.4	1.5	0.4	0.4	1.5
<b>Return ratios</b>							
RoIC (%)	39.4%	41.7%	25.9%	29.8%	7.2%	10.3%	32.3%
RoE (%)	23.7%	30.5%	25.5%	27.3%	6.8%	9.9%	29.7%
RoA (%)	17.7%	23.2%	20.0%	20.0%	4.7%	7.5%	22.6%
RoCE (%)	48.1%	70.4%	70.5%	87.1%	25.4%	25.9%	82.0%
<b>Per share data</b>							
Restated adjusted EPS (Rs.)	2.3	3.4	3.0	3.6	0.7	1.4	4.3
DPS (Rs.)	0.0	1.5	0.0	2.0	2.0	1.1	1.1
BVPS (Rs.)	9.9	11.1	11.8	13.0	10.2	14.5	14.5
Operating cash flow per share (Rs.)	1.3	3.8	2.6	2.9	1.8	0.3	1.4
Free cash flow per share (Rs.)		1.2	(0.2)	2.8		(2.4)	
Dividend payout ratio	0.0%	45.3%	0.0%	56.3%	289.1%	79.3%	26.4%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

## IPO rating rationale

**Subscribe:** An IPO with strong growth prospects and valuation comfort.

**Subscribe with Caution:** Relatively better growth prospects but with valuation discomfort.

**Avoid:** Concerns on both fundamentals and demanded valuation.

## Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Choice Equity Broking Private Ltd. ("CEBPL") is a registered Research Analyst Entity (Reg. No. INH00000222) (hereinafter be referred as "CEBPL"). "CEBPL" is a registered stock broker or intermediary engaged in Stock Broking, Depository Participant. Registered member of National Stock Exchange of India Ltd. (NSEIL), Bombay Stock Exchange Ltd. (BSE), Metropolitan Stock Exchange of India Ltd. (MSEI). CEBPL is also a depository participant with Central Depository Services Ltd. (CDSL) & National Securities Depository Ltd. (NSDL).

This Research Report (hereinafter referred as "Report") has been prepared by Choice Equity Broking Pvt. Ltd. as a Research Entity (hereinafter referred as "CEBPL RE"). The Research Analysts, strategists are principally responsible for the preparation of "CEBPL RE" research. The research analysts have received compensation based upon various factors, which may include quality of research, investor client feedback, stock picking, competitive factors and firm revenues etc.

Whilst CEBPL has taken all reasonable steps to ensure that this information is correct, CEBPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his/her own risk and CEBPL does not accept any liability as a result. Securities and derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

**General disclaimer:** This 'Report' is strictly meant for use by the recipient and is not for circulation. This Report does not take into account particular investment objectives, financial situations or specific needs of individual clients nor does it constitute a personal recommendation. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through CEBPL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this "Report" should rely on information/data arising out of their own study/investigations. It is advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This 'Report' has been prepared on the basis of publicly available information, internally developed data and other sources believed by CEBPL to be reliable. CEBPL or its directors, employees, affiliates or representatives shall not be responsible for, or warrant for the accuracy, completeness, adequacy and reliability of such information / opinions / views. Though due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of CEBPL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report.

The price and value of the investments referred to in this Report and the income from them may tend to go down as well as up, and investors may incur losses on any investments. Yester performance shall not be a guide for future performance. CEBPL does not provide tax advice to its clients, and all investors are strongly advised to take advice of their tax advisers regarding taxation aspects of any potential investment. Opinions are based on the current scenario as of the date appearing on this 'Report' only. CEBPL does not undertake to advise you as to any change of our views expressed in this "Report" may differ on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold CEBPL, its employees and associates responsible for any losses, damages of any type whatsoever.

**Disclaimers in respect of jurisdiction:** This Report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject "CEBPL RE" to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by "CEBPL RE" in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this 'Report' shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. "CEBPL" requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to "CEBPL". Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in Mumbai (India).

Statements on ownership and material conflicts of interest, compensation - CEBPL and Associates reciprocates to the best of the knowledge and belief of CEBPL/ its Associates/ research Analyst who is preparing this Report.

### Disclosures of interest (Additional):

- 1) "CEBPL", its research Analyst(s), or its associates or relatives of the Research Analyst does not have any financial interest in the company (ies) covered in this Report.
- 2) "CEBPL" its research Analyst, or its associates or relatives of the research analyst affiliates collectively do not hold more than one of the securities of the company (ies) covered in this Report as of the end of the month immediately preceding the distribution of the research report.
- 3) "CEBPL", its research analyst, his/her associate, his/her relative, do not have any other material conflict of interest at the time of publication of this Report.
- 4) "CEBPL", its research analyst, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in this Report, in the past twelve months.
- 5) "CEBPL", its research analyst, or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this Report.
- 6) "CEBPL", or its associates have not received compensation or other benefits from the company (ies) covered in this Report or from any third party, in connection with the Report.
- 7) CEBPL research analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Report.
- 8) "CEBPL", its research analyst has not been engaged in market making activity for the company (ies) covered in the Report.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. [www. https://choiceindia.com/research-listing](https://choiceindia.com/research-listing).

## Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (Contd...)

The details of CEBPL, its research analyst and its associates pertaining to the companies covered in the Report are given below:

Sr. no.	Particulars	Yes / No
1.	Whether compensation has been received from the company (ies) covered in the Research report in the past 12 months for investment banking transaction by CEBPL	No
2.	Whether Research Analyst, CEBPL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1 of the company (ies) covered in the Research report	No
3.	Whether compensation has been received by CEBPL or its associates from the company (ies) covered in the Research report	No
4.	CEBPL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company (ies) covered in the Research report	No
5.	CEBPL, its research analyst, his associate, or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in the Research report, in the last twelve months	No

**Copyright:** The copyright in this research report belongs exclusively to CEBPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the CEBPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

This "Report" is for distribution only under such circumstances as may be permitted by applicable law. This "Report" has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This "Report" is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither CEBPL nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this "report" or lack of care in this report's preparation or publication, or any losses or damages which may arise from the use of this research report.

Information barriers may be relied upon by CEBPL, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of CEBPL.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by CEBPL with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior written consent of CEBPL and CEBPL accepts no liability whatsoever for the actions of third parties in this respect.